



# **uMNGENI MUNICIPALITY**

## **DRAFT ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2010**

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 32 in terms of section 126 (1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 9 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

H S Buthelezi  
Acting Municipal Manager

31 August 2010

# uMNGENI MUNICIPALITY

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## uMNGENI MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Notes	2010 R	2009 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>			
Housing operating account	1	11 944 274	12 544 021
Revaluation reserve		10 692 826	10 778 807
Accumulated surplus / (deficit)	19	129 166 195	107 018 319
		<hr/>	<hr/>
		151 803 295	130 341 147
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Long term liabilities	2	44 460 845	44 634 748
Retirement benefits	31	11 065 207	11 243 830
Long service awards and retirement gifts	32	2 060 918	2 332 171
Refuse Site Rehabilitation costs	33	6 550 160	5 827 500
		<hr/>	<hr/>
		64 137 130	64 038 249
		<hr/>	<hr/>
<b>Current liabilities</b>			
Bank overdraft	13	939 352	4 893 672
Consumer deposits	3	1 551 404	1 417 603
Creditors	7	25 349 089	49 488 120
Unspent conditional grants and receipts	6	28 328 514	10 347 353
Current portion of long term liabilities	2	2 635 436	3 129 025
Current portion of Retirement benefits	31	454 764	1 161 161
Current portion of long service awards and retirement gifts	32	259 791	247 735
Current portion of Refuse Site Rehabilitation costs	33	-	-
		<hr/>	<hr/>
		59 518 350	70 684 669
		<hr/>	<hr/>
<b>Total Net assets and Liabilities</b>		<hr/> <b>275 458 776</b> <hr/>	<hr/> <b>265 064 065</b> <hr/>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	36	212 091 959	191 738 612
Investment Property	37	1 550 695	-
		<hr/>	<hr/>
		213 642 654	191 738 612
		<hr/>	<hr/>
<b>Current assets</b>			
Consumer receivables	5	57 221 121	65 500 294
Other receivables	5	367	6 850 782
Investments - short term	4	4 589 874	969 617
Bank balances and cash	27	4 760	4 760
		<hr/>	<hr/>
		61 816 122	73 325 453
		<hr/>	<hr/>
<b>Total Assets</b>		<hr/> <b>275 458 776</b> <hr/>	<hr/> <b>265 064 065</b> <hr/>

## uMNGENI MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2010

FOR THE YEAR ENDED 30 JUNE 2010

		Actual		Budget	
	Notes	2010	2009	2010	2009
		R	R	R	R
<b>REVENUE</b>					
Property rates	8	65 227 545	68 108 398	81 038 297	74 768 594
Property rates - penalties imposed and collection charges		2 579 935	5 607 666	10 000 000	4 000 000
Service charges	18	39 071 106	28 961 588	42 774 615	38 778 628
Rental of facilities and equipment		413 500	440 565	524 300	524 300
Interest earned			-		
External investments		256 671	124 128	200 000	200 000
Outstanding debtors		1 561 507	4 884 603	5 200 000	4 000 000
Fines		374 750	1 034 693	1 080 000	500 000
Licences and permits		2 696 593	1 934 471	1 889 400	1 729 400
Government grants and subsidies	25	50 013 484	35 425 517	63 370 000	41 268 087
Other income	15	16 640 153	12 151 392	5 502 570	15 135 213
Public contributions and donations		-	-	-	-
Gains on disposal of property, plant and equipment		364 412	-	-	-
Departmental recharges		13 145 748	11 772 390	13 145 748	11 772 390
<b>Total Revenue</b>		<b>192 345 404</b>	<b>170 445 411</b>	<b>224 724 930</b>	<b>192 676 612</b>
<b>EXPENDITURE</b>					
Employee related costs	29	65 109 312	57 947 839	67 463 988	63 800 168
Remuneration of councillors	9	4 067 387	4 010 732	4 433 321	4 686 980
Bad debts	5	2 735 543	8 627 221		-
Depreciation	36/37	8 187 335	6 631 927	4 487 174	4 487 174
Repairs and maintenance		8 009 616	5 851 362	10 107 974	11 402 589
Interest paid	11	4 932 347	5 754 164	4 328 275	5 470 675
Bulk purchases	26	29 225 162	21 550 092	30 012 235	22 633 024
Contracted services		2 389 188	3 196 437	1 500 000	2 100 000
Retirement and long services benefits	31/32	-	1 849 125	-	850 000
General expenses	15	39 277 750	30 782 111	74 385 705	55 235 192
Loss on disposal of property, plant and equipment		-	117 268	-	-
Contributions		1 555 436	2 885 544	13 948 000	8 808 000
Refuse Site Rehabilitation cost		722 660	302 500		1 000 000
Departmental recharges		13 145 748	11 772 390	13 145 748	11 772 390
<b>Total Expenditure</b>		<b>179 357 484</b>	<b>161 278 712</b>	<b>223 812 420</b>	<b>192 246 192</b>
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>		<b>12 987 920</b>	<b>9 166 699</b>	<b>912 510</b>	<b>430 420</b>

Refer to Appendix E (1) for the comparison with the approved budget

uMNGENI MUNICIPALITY

STATEMENT OF CHANGES IN RESERVES AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED 30 JUNE 2010

	Housing operating account	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions reserve	Revaluation reserve	Accumulated surplus/ (deficit)	Total
	R	R	R	R	R	R	R	R
<b>30 June 2009</b>								
Balance at 01 July 2009	12 544 021	-	-	-	-	10 778 807	107 018 322	130 341 150
								-
Restated balance	13 485 514	-	-	-	-	11 036 750	77 830 196	102 352 460
Surplus (deficit) for the year	-941 493						9 166 699	8 225 206
Financing of PPE acquisitions							2 796 870	2 796 870
Public Contribution and Donations							5 873 151	5 873 151
Prior year adjustments							171 962	-
Prior year adjustments - depreciation recovery 2006/2007 and 2007/2008						-171 962	-5 244 191	-5 244 191
Transfer to District Municipality							85 981	-
Offsetting of depreciation ex Reserves						-85 981	16 337 651	16 337 651
Reversal of bad debt provision								
<b>Balance at 30 June 2009</b>	12 544 021	-	-	-	-	10 778 807	107 018 319	130 341 147
<b>30 June 2010</b>								
Restated balance	12 544 021	-	-	-	-	10 778 807	107 018 321	130 341 149
Surplus (deficit) for the year	-1 089 060	-	-	-	-	-	12 987 920	11 898 860
Interest received from external investment	489 313	-	-	-	-	-	-	489 313
Financing of PPE acquisitions							-3 477 262	-3 477 262
Movement in accumulated surplus							12 637 216	12 637 216
Offsetting of depreciation ex Reserves						-85 981	-	-85 981
								-
<b>Balance at 30 June 2010</b>	11 944 274	-	-	-	-	10 692 826	129 166 195	151 803 295

**uMNGENI MUNICIPALITY**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 30 JUNE 2010**

		<b>2010</b>	<b>2009</b>
	<b>Notes</b>	<b>R</b>	<b>R</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from (utilised in ) operations</b>	20/21	40 133 543	29 200 266
Interest received		256 671	124 128
Interest paid		-4 932 347	-5 754 164
<b>Net Cash from (utilised in ) operating activities</b>		<b>35 457 867</b>	<b>23 570 230</b>
<b>CASH FLOWS FROM (UTILISED IN) INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-31 230 194	-26 390 017
Proceeds on disposal of property, plant and equipment		998 682	598 732
Increase in investment properties			-
(Increases) decreases in non-current receivables			-
(Increases) decreases in non-current investments			350 314
		<b>-30 231 512</b>	<b>-25 440 971</b>
<b>CASH (UTILISED IN) GENERATED FROM INVESTING ACTIVITIES</b>		<b>5 226 355</b>	<b>-1 870 741</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised/ (repaid)	22	-850 479	-2 806 582
(Increase) / decrease in cash investments			
Increase /(decrease)in liability for retirement and long service gifts	31/32	-1 144 218	1 849 125
Increase in liability for rehabilitation of refuse sites		722 660	302 500
Increase / (decrease) in contributions from public/state		-	2 796 870
<b>Net cash generated from / (utilised in ) financing activities</b>		<b>-1 272 037</b>	<b>2 141 913</b>
		<b>3 954 318</b>	<b>271 172</b>
Cash and cash equivalents			
At the beginning of the year	23	-4 888 910	-5 160 082
At the end of the year	23	-934 592	-4 888 910
<b>NET INCREASE (DECREASE) IN CASH EQUIVALENTS</b>		<b>-3 954 318</b>	<b>-271 172</b>

## **uMNGENI MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 30 JUNE 2010**

##### **1 BASIS OF PRESENTATION**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) in terms of :

General Notice 991 of 2005 issued in Government Gazette no. 28095 of 15 December 2005 and in Government Gazette no. 31021 of May 2008.

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Accounting policies for material transactions, events or conditions not covered by the above mentioned GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

##### **2 PRESENTATION CURRENCY**

The annual financial statements are presented in South African Rand to the nearest Rand

##### **3 GOING CONCERN ASSUMPTION**

The annual financial statements are prepared on a going concern basis

##### **4 HOUSING OPERATING ACCOUNT**

The Housing Operating Account was established in terms of the Housing Act, 1997 (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Operating Account. Housing selling schemes, both complete and in progress at 01 April 1998, were also transferred to the Housing Operating Account. In terms of the said Act, all proceeds from housing developments, including rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of this account can only be used to finance housing developments within the municipal area subject to the approval of the Provincial Member of the Executive Committee responsible for housing.

## **uMNGENI MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 30 JUNE 2010**

#### **5 RESERVES**

##### **5.1 Revaluation Reserve**

Unrealised surpluses arising from the revaluations of land and buildings are credited to a Non-Distributable Reserve. Revaluation surpluses are realised as revalued buildings are depreciated, by means of transfers from the revaluation reserve to the accumulated surplus / (deficit).

When revalued land and buildings are disposed of, the net revaluation surpluses in the Revaluation Reserve relating to such items are transferred to the accumulated surplus / (deficit), while gains and losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

#### **6 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is stated in the annual financial statements at cost less accumulated depreciation, except for land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises purchase price, import duties, non-refundable purchase taxes and directly attributable costs of bringing the asset to working condition for its intended use, such as site preparation, initial delivery, handling, installation and professional fees. Where items of property, plant and equipment have been impaired, the carrying values are adjusted by the impairment losses. These losses are recognised as expenses in the period that the impairments are identified except where an impairment reverses a previous revaluation.

Where impaired land and buildings are revalued, the increase in value of land and buildings is recognised as revenue to the extent that it reverses the impairment loss which was previously recognised as an expense. For the previous and current year under review, the municipality did not perform impairment testing on its assets as required by Grap 17, there are transitional provisions relating to this in Directive 4 issued by the ASB on 11 March 2009.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost will be measured at the carrying amount of the asset given up.



## uMNGENI MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 JUNE 2010

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The costs/revaluations of property, plant and equipment are depreciated using the straight line method over the period of the estimated useful lives of the assets. Depreciation on new acquisitions is charged to the Statement of Financial Performance in the financial year that economic benefits accrue to Council.

The annual depreciation rates are based on the following estimated useful lives of the assets:

	Years		Years
<b>Infrastructure</b>		<b>Other</b>	
Roads and paving	30	Buildings	30
Pedestrian malls	30	Specialist vehicles	10
Electricity	20 - 30	Other vehicles	5
Housing	30	Office equipment	3
		Furniture and fittings	7 - 10
<b>Community</b>		Watercraft	15
		Bins and containers	5
Buildings	30	Specialised plant and equipment	10 - 15
Recreational facilities	20 - 30	Other items of plant and equipment	2 - 5
Security	5	Landfill sites	15

The estimated useful lives are periodically reviewed in order to adjust them if they have changed.

Items of Property, Plant and Equipment which are acquired at no cost or for a nominal cost is recognised at their fair values.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is immediately written down to its recoverable amount and the impairment loss is charged to the Statement of Financial Performance in the period that they are identified.

The municipality has elected to take advantage of paragraph 79 of the transitional provisions relating to Grap 17 for the measurement of property, plant and equipment (PPE), issued in Directive No 4 of March 2009 issued by the Accounting Standards Board. Consequently, PPE has in certain instances been recognised at provisional amounts, as defined in directive 4.

#### 7 REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated in the annual financial statements at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation of buildings.

#### 8 INVESTMENT PROPERTY

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated in the annual financial statements at cost less accumulated depreciation and accumulated impairment losses. Depreciation is determined on the cost of each building using the straight line method over the period of the estimated useful life of the property which is 30 years. Investment property is shown separately from Property plant and equipment. Council is busy with the assets register and will achieve further disclosure in terms of Grap 16 once the asset register is fully componentized. The municipality has elected to take advantage of paragraph 94 of the transitional provisions relating to Grap 16 for the recognition of land held for currently undeterminable use, issued in Directive No 4 of March 2009 issued by the Accounting Standards Board. Consequently, vacant land has been included as PPE and not investment property

## **uMNGENI MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 30 JUNE 2010**

#### **9 INVESTMENTS**

##### **9.1 Financial instruments**

Financial instruments, which include unlisted, reciprocal municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks are stated in the annual financial statements at the lower of cost or fair value. No impairments are required as the cost values equate to their cash values.

Where investments have been impaired, the carrying values are adjusted by the impairment losses, which are recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net proceeds on disposal and the carrying amount is charged or credited to the Statement of Financial Performance.

#### **10 INVENTORIES**

Inventories are comprised of consumable stores, raw materials and finished goods and are stated in the annual financial statements at the lower of average cost, determined on the first in first out method first out method and net realisable value. Cost includes deductions for discounts and rebates.

Redundant and slow moving inventories are identified and sold by public auction and any gain or loss on disposal is recognised in the Statement of Financial Performance.

Unsold properties are stated in the annual financial statements at the lower of cost, determined on the average cost method and net realisable value. Direct costs are accumulated for each separately identifiable development. Cost also includes a proportion of overhead costs.

#### **11 ACCOUNTS RECEIVABLE**

Accounts receivable are stated in the annual financial statements at the value of billings to consumers/ ratepayers, less deductions for discounts given or rebates granted less a provision for doubtful accounts.

Provision for doubtful accounts is made, based on a review of all outstanding amounts at the financial year end. Contributions to the provision are calculated on a specific debt basis plus 10 per cent of all debts older than 120 Days but excluding rates, rates penalties and rates collection charges.

Bad debts are written off in the period that they are identified. Amounts that are receivable within one year are classified as current assets.

#### **12 ACCOUNTS PAYABLE**

Accounts payable are stated in the annual financial statements at the amounts due to trade and other creditors for goods or services received. The liabilities are generally settled within a period of 30 Days, accordingly any impairments, if any, are considered to be immaterial.

## **uMNGENI MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 30 JUNE 2010**

#### **13 REVENUE RECOGNITION**

##### **13.1 Revenue from Exchange transactions**

Service charges for Electricity are based on consumption by consumers as is recorded on each consumers' meter. Meters are read each month and the revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods where meter readings have not been able to be carried out. The revenue from these provisional readings is also recognised as revenue when invoiced. Adjustments to provisional estimates and recognition of the amended revenue arising there from are made in the invoicing period in which meters are read. Revenue from the sale of electricity prepaid meter cards is recognised in the period in which cash is received.

Service charges for refuse removal are raised and recognised on a monthly basis in arrears and are based on the application of the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month

Interest and rentals are recognised on a time proportion basis

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service has been rendered and the fee has been charged or licenses and permits have been issued.

Income from agency services is recognised on a monthly basis once the income collected for agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sale of goods is recognised when the risk passes to the consumer.

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items are brought into use. A liability is raised when a public contribution has been received but all the conditions have not been met.

##### **13.2 Revenue from Non-exchange transactions**

Revenue from assessment rates is recognised when the legal entitlement arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from the collection of spot fines and summonses is recognised when payment is received.

Donations are recognised when cash is received or when property, plant and equipment is brought into use.

Contributions of property, plant and equipment are recognised when the items are acquired.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

#### **14 CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised to the extent that the criteria, conditions or obligations have not been met.

## **uMNGENI MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 30 JUNE 2010**

**15 PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at the reporting date and adjusted to reflect the current best estimate.

**16 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Cash and cash equivalents in the cash flow statement comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred.

**17 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure represents expenditure which has been incurred but not budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003). Unauthorised expenditure is accounted for in the Statement of Financial Performance as an expense and as revenue where it is subsequently recovered.

**18 IRREGULAR EXPENDITURE**

Irregular expenditure excludes unauthorised expenditure and represents expenditure incurred that is contrary to the provisions of the Local Government : Municipal Finance Management Act, 2003 (Act No.56 of 2003) the Municipal Systems Act, 2000 (Act No. 32 of 2000), the Public Office Bearers Act, 1998 (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure is accounted for in the Statement of Financial Performance as an expense and as revenue when it is subsequently recovered.

**19 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure represents expenditure that was made in vain and would have been avoided if reasonable care had been exercised. Fruitless and wasteful expenditure is accounted for in the Statement of Financial Performance as an expense and as revenue where it is subsequently recovered.

**20 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the three defined benefit funds it administers. Contributions are charged as an expense in the Statement of Financial Performance in the year that they become payable.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the Contributions which are charged as an expense in the Statement of Financial Performance in the year that they become payable.

## **uMNGENI MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 30 JUNE 2010**

**21 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset until all the activities necessary to prepare the qualifying asset for its intended use or sale is complete

**22 DEPOSITS**

Deposits received from consumers are based on the estimated monthly consumption and are calculated to cover approximately two and one half to four months consumption, taking into consideration each consumer's profile. In the event of a disconnection of service for non payment, the value of the deposit is reviewed and adjusted in terms of the Council's credit control policy. No interest is paid on deposits held.

**23 LEASES  
OPERATING LEASES**

Payments made on operating lease agreements are expensed and charged to the Statement of Financial Performance in the period in which such payments are due. These agreements do not transfer risk and rewards associated with ownership of an asset to the Municipality.

**FINANCE LEASES**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an assets are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred

**24 PRIOR YEAR COMPARATIVES**

Prior period comparatives are reclassified when the presentation or classification of items in the annual financial statements is amended. Prior year adjustments were made in accordance with Grap 3 for the restoration costs of the landfill site.

## uMNGENI MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## 1. HOUSING OPERATING ACCOUNT

Government Grant Reserve ( Principally arising from loans extinguished in 1998 - R9 747 726 )  
Accumulated surplus(deficit)

2010 R	2009 R
15 235 045	14 710 071
-3 289 772	-2 166 050
11 945 273	12 544 021
Housing inventory	14 557 625
Debtors	188 107
Investments - External	489 313
Bank overdraft	-3 289 772
11 945 273	12 544 021

## 2. LONG TERM LIABILITIES

Annuity loans  
Finance management agreements

44 065 310	45 977 362
3 030 971	1 786 411
Total External loans	47 096 282
LESS : Current portion transferred to current liabilities	-2 635 436
(Refer to appendix A for more detail)	44 460 845
44 460 845	44 634 748

**Annuity loans**

The loans attract interest at rates between 8.5% and 17.8% per annum, are being redeemed in monthly installments, including interest, over varying periods until 2009

**Bank loans**

Bear interest at Prime Less 1%

**Fair value impairments**

Long term loans are recorded at the actual liability to loan creditors. No impairment, if any has been recognised.

## 3. CONSUMER DEPOSITS: SERVICES

Electricity  
Water

1 551 404	1 417 603
-	-
1 551 404	1 417 603

## 4. INVESTMENTS

**Unlisted**

Long-term deposits  
Financial instruments  
Fixed deposits with Institution in curatorship

-	-
-	-
-	-
Long Term portion	-

Short term investments  
Collateral security fixed deposits - Rand Merchant Bank  
Notice deposits - Absa Bank

1 035 127	963 096
3 554 747	6 521

**Short Term portion**

4 589 874	969 617
-----------	---------

**Total investments**

4 589 874	969 617
-----------	---------

Council's valuation of unlisted investments

4 589 874	969 617
-----------	---------

Average rate of return on investments

7.50%	14.00%
-------	--------

The investments in curatorship have been written down to its estimated impaired value as indicated by the curator

-	-
---	---

Investments pledged as collateral security for loans

1 035 127	963 096
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## uMNGENI MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## 5. RECEIVABLES

Consumer receivables  
Other sundry receivables  
District Council - powers and functions  
Vat

2010	2009
R	R
59 956 665	79 471 750
367	244 703
-	-
-	6 606 079
<b>59 957 032</b>	<b>86 322 532</b>
-2 735 544	-13 971 455
<b>57 221 488</b>	<b>72 351 077</b>

Less: Provision for Bad Debts

Management have considered the effects of any impairment in the values of outstanding and the value of the provision for bad debts. The provision is adequate to account for any material losses expected to arise from any adjustments that are required to be made to outstanding

## Consumer receivables

Rates  
Electricity  
Rentals  
Refuse  
Sundries  
Legal costs  
VAT

36 125 280	51 328 597
11 848 216	11 798 479
188 107	152 446
1 410 741	4 022 183
9 942 709	11 418 893
86 966	142 554
354 646	608 597
59 956 665	79 471 749

Amounts written off as bad debts  
As a percentage of total operating revenue  
Number of days outstanding

16 631 619	20 389
8.93%	7.38%
172	215

## Age analysis

## Rates

Current ( 0 to 30 days)  
31 to 60 days  
61 to 90 days  
91 to 120 days  
121 days to 150 days  
151 days and over

-4 401 568	5 690 558
8 677 437	3 276 350
1 850 572	2 134 906
1 246 280	2 031 722
1 185 870	1 779 925
27 566 689	36 415 136

**36 125 280** **51 328 597**

## Electricity

Current ( 0 to 30 days)  
31 to 60 days  
61 to 90 days  
91 to 120 days  
121 days to 150 days  
151 days and over

1 938 263	1 700 525
752 569	498 072
358 830	259 717
215 424	233 829
267 000	230 162
8 316 130	8 876 174

**11 848 216** **11 798 479**

## Refuse

Current ( 0 to 30 days)  
31 to 60 days  
61 to 90 days  
91 to 120 days  
121 days to 150 days  
151 days and over

262 318	65 017
99 998	16 574
50 675	7 999
35 293	6 698
30 721	5 785
931 736	3 920 110

**1 410 741** **4 022 183**

## Sundries

Current ( 0 to 30 days)  
31 to 60 days  
61 to 90 days  
91 to 120 days  
121 days to 150 days  
151 days and over

418 816	489 210
1 590 193	88 240
73 257	58 145
319 031	758 836
762 148	49 804
6 779 264	9 974 658

**9 942 709** **11 418 893**

## uMNGENI MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

**Legal costs**

Current ( 0 to 30 days)  
 31 to 60 days  
 61 to 90 days  
 91 to 120 days  
 121 days to 150 days  
 151 days and over

2010	2009
R	R
63	-13
3 235	-
6 898	-
-	-
-	-
	142 567
76 770	
<b>86 966</b>	<b>142 554</b>

**Housing**

Current ( 0 to 30 days)  
 31 to 60 days  
 61 to 90 days  
 91 to 120 days  
 121 days to 150 days  
 151 days and over

23 318	18 688
15 553	10 096
6 842	34 178
5 149	6 740
9 430	5 915
127 815	76 829
<b>188 107</b>	<b>152 446</b>

**Provision for Bad Debts**

Balance at beginning of year

13 971 455 21 702 273

Contributions made during the year

5 395 708 8 627 224

Reversal of bad debt provision

19 367 163 30 329 497

Debts written off during the year

-16 631 619 -16 337 653  
-20 389

2 735 544 13 971 455

**6. UNSPENT CONDITIONAL GRANTS AND RECEIPTS****Conditional Grants from other spheres of Government**

9 808 065 336 547

MIG Grants

4 544 001 -

DME Grants

5 264 064 336 547

**Other Conditional Receipts**

18 520 449 10 010 806

State

4 572 178 706 122

Provincial conditional

11 380 313 3 532 623

Other

468 035 3 146 941

Housing

2 099 923 2 625 120

**Total Conditional Grants and Receipts**

28 328 514 10 347 353

See Note 25 for the reconciliation of grants from other spheres of government.

**7. CREDITORS**

Trade creditors  
 Deposits - other  
 Unclaimed payments  
 Other sundry creditors District Municipality  
 Staff leave  
 Retentions  
 Value Added Taxation  
 Museum trust account

9 227 369	31 587 834
-	294 506
-	4 297 424
4 321 723	5 244 191
7 232 207	7 012 999
1 595 652	944 367
2 860 940	-
111 198	106 799
<b>25 349 089</b>	<b>49 488 120</b>



## uMNGENI MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## 8. ASSESSMENT RATES

	Valuation at 30/06/2010	Valuation at 30/06/2009	Actual income 30/06/2010	Actual income 30/06/2009
Commercial	434 559 000	704 312 933	7 208 301	7 248 021
Residential	6 006 791 350	5 337 525 003	54 626 974	54 927 991
Education and State	280 229 000	298 607 414	3 056 102	3 072 942
Municipal	-	-	-	-
Agriculture	3 690 793 000	3 799 636 533	38 887 433	39 101 718
Private open space	27 632 000	2 432 012	24 890	25 028
State	1 069 482 962	914 430 966	9 358 757	9 410 327
	<b>11 509 487 312</b>	<b>11 056 944 861</b>	<b>113 162 457</b>	<b>113 786 027</b>
Less: Income Foregone - rebates			<b>47 934 912</b>	<b>45 677 626</b>
Net Income			<b>65 227 542</b>	<b>68 108 401</b>
Non rateable	<b>63 414 729</b>	<b>63 414 729</b>		

	2010 R 2007/07/01	2009 R 2007/07/01
The last general valuation came into effect on:		
The basic rate of cents in the Rand is	1.14	1.075
<b>Rebates:</b>		
Agriculture - additional	50.00%	50.00%
Bona Fide Farmers	20.00%	
Residential ( The first R6 5000 is exempt in terms of the Rates Policy)	30.00%	30.00%
Pensioners (Qualifying on with income up to R8000 on a sliding scale)	30.00%	30.00%
State	20.00%	20.00%

## 9. COUNCILLORS' REMUNERATION

Mayor's allowance	544 357	534 635
Deputy Mayor's allowance	240 244	238 203
Speaker's allowance	142 156	238 203
Executive committee allowances	228 161	223 939
Councillors' allowances	2 912 469	2 775 753
Councillors' pension and medical aid contributions		
	<b>4 067 387</b>	<b>4 010 733</b>

## 10. AUDITORS' REMUNERATION

Audit fees	<b>1 157 065</b>	<b>781 295</b>
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## 11. INTEREST PAID

Long term liabilities	4 868 357	4 794 111
Bank overdrafts	63 990	960 053
Total interest on external borrowings	<b>4 932 347</b>	<b>5 754 164</b>

## 12. PROPERTY, PLANT AND EQUIPMENT

Land and buildings have been revalued to fair value during the year ended 30 June 2005 using values determined by the Council's independent valuator on the depreciated replacement value basis.

The revaluation surplus is reconciled as follows:

Balance at beginning of year	10 778 807	11 036 750
Surplus realised	-	-
Less : Depreciation Recovery - Prior years 2006/2007 and 2007/2008		-171 962
Less : Depreciation Recovery	-85 981	-85 981
Balance at end of year	<b>10 692 826</b>	<b>10 778 807</b>

Refer to Appendix B for more detail on property, plant and equipment

The municipality has elected to take advantage of paragraph 79 of the transitional provisions relating to Grap 17 for the measurement of property, plant and equipment (PPE), issued in Directive No 4 of March 2009 issued by the Accounting Standards Board. Consequently, PPE has in certain instances been recognised at provisional amounts, as defined in directive 4. A formal physical verification will be carried out before the expiry of the transitional provisions of Directive 4. At present, depreciation on infrastructure and community assets is based on an average useful life using some historical costs recorded in somewhat out of date records. In addition, no assessment has been carried out to determine whether or not there are any impairments of values but will be complete before the transitional provisions of Directive 4 expire.

See also Note 35

## uMNGENI MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2010

## 13. BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

**Current account (Primary Bank Account)**

ABSA Bank Limited, Public Sector, Pietermaritzburg - Account No. 40-6379-6636

Cash book balance (overdraft) at beginning of year	-4 782 022	-4 894 532
Cash book balance (overdraft) at end of year	-827 704	-4 782 022
Bank statement balance at beginning of year	1 903 889	-5 016 505
Bank statement balance (overdraft) at end of year	6 978 118	1 903 889

**Current account**

First National Bank Limited - Account No. 52530028614

Cash book balance at beginning of year	-106 888	-270 309
Cash book balance at end of year	-106 888	-106 888
Bank statement balance at beginning of year	106 883	-270 309
Bank statement balance at end of year	22 692	106 883

## 14. CONTRIBUTIONS TO SALGA

Opening balance	-	-
Council subscriptions due	244 865	245 009
Amount paid - current year	-244 865	-245 009

Owing at end of year	-	-
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## 15. GENERAL EXPENSES AND OTHER INCOME

Please refer to annexure E(4) for more detail

## 16. PAYE and U I F

Opening balance	-	-
Current year deductions from payroll	10 416 146	8 420 934
Amount paid - current year	-10 416 146	-8 420 934

Owing at end of year	-	-
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## 17. PENSION AND MEDICAL AID DEDUCTIONS

Opening balance	-	-
Current year deductions from payroll	7 950 656	7 342 833
Amount paid - current year	-7 950 656	-7 342 833

Owing at end of year	-	-
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## 18. SERVICE CHARGES

Sale of electricity	30 906 994	23 404 080
Refuse removal	8 164 113	5 557 508

Significant electricity distribution losses(R 12 953 487) were noted during the course of the 2008/2009 financial year. A contractor has been appointed to investigate losses and make recommendations regarding corrective measures. This process is currently underway, the recommendations of which are awaited for implementation once complete.

	39 071 107	28 961 588
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## 19. APPROPRIATIONS

**Appropriation account**

Accumulated surplus (deficit) at the beginning of the year	107 018 322	77 830 196
Operating (deficit) surplus for the year	12 987 920	9 166 699
Appropriations for the year :		
Movement in accumulated surplus	12 637 216	6 045 117
Prior year adjustments - District Municipality		-5 244 191
Public contributions and donations	-	2 796 870
Financing of PPE acquisitions	-3 477 262	
Offsetting of depreciation ex reserves		85 981
Reversal of provision for bad debts	-	16 337 650

<b>Accumulated Surplus at end of Year</b>	<b>129 166 196</b>	<b>107 018 322</b>
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## uMNGENI MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>20. CASH GENERATED BY OPERATIONS</b>		
(Deficit) surplus for the year (per note 19)	12 987 920	9 166 699
Adjustments for:		
Previous year's operating transactions	12 821 500	-1 543 974
Loss on disposal of property, plant and equipment	-634 270	117 268
Profit on disposal of assets	-364 412	-
Depreciation	8 691 880	6 631 927
Appropriations charged against income :	4 712 537	11 512 765
Staff leave	1 976 994	2 885 544
Provisions and reserves	2 735 543	8 627 221
Capital charges :		
Interest paid :		
- on external funds	4 932 347	5 754 164
Investment income (operating account)	-256 671	-124 128
Non-operating income:		
Assets appreciated/other		-
Non-operating expenditure:		
Expenditure charged against Housing Operating Account	-1 089 060	-941 493
Expenditure charged against provision for leave	-1 757 786	-712 605
Expenditure charged against provision for doubtful debts	-16 631 619	-20 389
	<b>23 412 366</b>	<b>29 840 234</b>
<b>21. (INCREASE) / DECREASE IN WORKING CAPITAL</b>		
(Increase) / decrease in debtors	26 365 500	-7 829 663
(Increase) / decrease in short term investments	-3 620 257	147 134
Increase / (decrease) in creditors	-24 139 028	4 833 592
Increase / (decrease) in deposits	133 801	97 415
Increase / (decrease) in unspent grants	17 981 161	2 111 554
	<b>16 721 177</b>	<b>-639 968</b>
	40 133 543	29 200 266
<b>22. INCREASE / (DECREASE) IN LONG TERM LOANS (EXTERNAL)</b>		
Loans raised	3 125 184	326 508
Loans (repaid)	-3 975 663	-3 133 090
	<b>-850 479</b>	<b>-2 806 582</b>
<b>23. (INCREASE) / DECREASE IN CASH ON HAND</b>		
Cash balance at the beginning of the year	-4 888 910	-5 160 082
LESS : Cash balance at the end of the year	-934 592	-4 888 910
The closing cash and bank amount was incorrectly stated in the cash flow statement for 2008-2009 as R 4 707 091 This has been corrected with the closing balance of R 4 888 910.	<b>-3 954 318</b>	<b>-271 172</b>
<b>24. RETIREMENT BENEFITS</b>		
The Municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement). The valuator carries out a statutory valuation on a triennial basis and an interim valuation on an annual basis (the 2006 interim has been completed). uMngeni Municipality's liability in these funds could not be determined owing mainly to the assets not being allocated to each employer and one set of financials being compiled for each fund and not for each employer.		
<b>Superannuation</b>		
An interim actuarial valuation of the Fund was carried out for the period ending 31 March 2007. The actuarial value of total assets was more (less) than the actuarial value of liabilities for the service of members to that date and for pensioners by:		
made up as follows:	20 900 000	20 900 000
<b>For service to 31 March 2007</b>		
for pensioners - surplus funding level 140.4% (2005: surplus funding level 100.5%)	499 500 000	499 500 000
for members - surplus funding level 103.2% (2005 : deficit funding level 85.8%)	20 900 000	20 900 000
The fund did not hold an Investment Reserve at 31 March 2006/7		
<b>For service after 31 March 2007</b>		
The total contribution rate payable (excluding the surcharge) did not exceed that required for future service by 0.96% (2005 :exceeded by 1.0% ) of pensionable emoluments, or per year		

uMNGENI MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>Conclusion</b>		
The funding level of the Fund improved from 91.4% to 100.5% (improved from 85.8% to 95.0%) over the valuation period. The actuary is satisfied that the self-reinsurance arrangement is appropriate for the Fund; the asset composition of the Fund is appropriate to the nature of the liabilities; the contribution deficit of 0.96% will be addressed at the next statutory actuarial valuation, ie 31 March 2008.		
his recommendation is that the additional surcharge being paid by employers of can therefore be stopped	3%	3%
A recent study undertaken of the expected impact that A I D S will have on the Fund shows that although the Fund is fairly well protected in relation to other funds, A I D S is likely to result in an increase in the required rate of contribution of members' pensionable emoluments by 2010 of some	4%	4%
However, the fund has since become closed to new members which is likely to reduce the future impact on the Fund		
<b>Provident Fund</b>		
The salient features of the Statutory (Interim) Valuation Report on the fund as at 31 March 2007 were that the market value of the Fund's assets were sufficient to fully cover the members' share account and to provide total reserves which amounted to	556 571 000	556 571 000
an amount is estimated to be due to exited members for the final bonus as at 31 March 2006 of a further bonus to all members was approved and granted in April 2007 by the Committee of Management of	1 767 000	1 767 000
As at the year end, a supplementary bonus to all members at 31 March 2006 was approved by the Committee of Management of	3.0%	3.0%
The Actuary recommends a further bonus be declared on the members' full benefits of	6.0%	6.0%
	5.1%	5.1%
The contribution rate allocated towards risk benefits and expenses in the year following the valuation daries sufficient to cover the cost of these benefits and expenses. The Actuary is satisfied that the asset composition of the Fund is appropriate to the nature of the liabilities and the Fund was in a sound financial condition at 31 March 2007.		
<b>Retirement Fund</b>		
The salient features of the Statutory (Interim) valuation of the fund at 31 March 2007 are:		
The actuarial value of total assets of the fund was less than the actuarial value of the liabilities for the service of members to that date and for pensioners by made up as follows:	-229 800 000	-229 800 000
<b>For service to 31 March 2007</b>		
for pensioners - funding level 129.2% (2006 : funding level 116.2%) - surplus	144 200 000	144 200 000
for members - funding level 76.3% (2006 : funding level 73.0%)	-229 800 000	-229 800 000
The fund was thus funded	85.70%	85.70%
The fund did not hold an Investment Reserve.		
<b>For service after 31 March 2007</b>		
The employers no longer permit members to join the Fund, so that it has effectively become a closed fund. The attained Age method of determining the rate of contribution was used and takes into account the closed nature of the fund and the remaining service lifetime of the fund		
<b>Conclusion</b>		
The funding level is	85.70%	85.70%
The actuary is satisfied that the self-insurance arrangement is appropriate for the Fund, the asset composition of the Fund is appropriate to the nature of the liabilities, the contributions being paid to the Fund are sufficient to meet the expected cost of future benefits		
A study undertaken in 2002 of the expected impact that A I D S will have on the Fund shows that although the Fund is fairly well protected in relation to other funds, A I D S is likely to result in an increase in the required rate of contribution of members' pensionable emoluments by 2010 of some	4%	4%
However, the fund has since become closed to new members which is likely to reduce the future impact on the Fund		
<b>25. GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	20 872 453	18 135 468
M S I G	735 000	735 000
F M G	750 000	500 000
M I G grants	8 400 000	7 837 000
D M E grants	4 511 483	-
Provincial Investment Node Support Infrastructure- Nelson Mandela Road Mpophomeni		1 873 319
Provincial health subsidies	2 501 067	1 428 467
Provincial - other		1 274 806
Provincial - Museum	68 000	62 972
Cyber Cadet Library	96 000	-
uMgungundlovu District Council Corridor Development - Mandela Capture Site	2 283 207	3 526 398
Provincial - Head Count System Mpophomeni Library		52 087
Neighbour Development	8 872 676	-
uMgungundlovu District Council - Shared Services model	912 050	-
European Union Gijima	11 548	-
Total Government Grant and Subsidies	50 013 484	35 425 517

## uMNGENI MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>Equitable share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.	20 872 453	18 135 468
<b>M S I G</b>		
Valuation roll		
Current year receipts	735 000	735 000
Conditions met - transferred to revenue	-735 000	-735 000
	-	-
<b>Finance Management Grant</b>		
Financial management, capacity building and		
Current year receipts	750 000	500 000
Conditions met - transferred to revenue	-750 000	-500 000
	-	-
<b>M I G Grant</b>		
Roads and stormwater infrastructure as part of the upgrade of the informal settlement		
Current year receipts	8 400 000	7 837 000
Conditions met - transferred to revenue	-8 400 000	-7 837 000
No funds have been withheld	-	-
<b>D M E Grant</b>		
Electrification and new connections		
Current year receipts	4 511 483	-
Conditions met - transferred to revenue	-4 174 936	-
No funds have been withheld	336 547	-
<b>Neighborhood Development</b>		
Mphomeni Gateway Project		
Current year receipts	11 000 000	-
Conditions met - transferred to revenue	-7 745 995	-
No funds have been withheld	3 254 005	-
<b>Provincial Housing</b>		
Low Cost Housing		
Current year receipts	7 663 702	-
Conditions met - transferred to revenue	-5 563 780	-
No funds have been withheld	2 099 922	-
<b>Corridor Development</b>		
N3 Corridor Development		
Current year receipts	7 000 000	-
Conditions met - transferred to revenue	-790 342	-
No funds have been withheld	6 209 658	-
<b>Provincial health subsidies</b>		
Current year receipts - included in public health vote	2 501 067	1 428 467
Conditions met - transferred to revenue	-2 501 067	-1 428 467
Conditions still to be met - transferred to liabilities	-	-
The Municipality renders health services on behalf of the Provincial Government and is refunded as follows:		
Surgical sundries	100%	
Stores	100%	
Equipment	100%	
Subsistence and travel, transport and traveling	100%	
Miscellaneous	100%	
Personnel	Based on sliding scale	
The grant has been used exclusively to fund clinic services. The conditions of the grant have not been met. There are no delays or withholding of the subsidy.		
<b>Provincial - Other</b>		
Current year receipts	-	1 274 806
Conditions met - transferred to revenue	-	-1 274 806
No funds have been withheld	-	-
<b>Provincial - Museum</b>		
Current year receipts	68 000	62 972
Conditions met - transferred to revenue	-68 000	-62 972
No funds have been withheld	-	-
<b>Provincial - Library extensions</b>		
Current year receipts	96 000	-
Conditions met - transferred to revenue	-96 000	-
No funds have been withheld	-	-
<b>Provincial - Cedara College / Inkanya Village Road</b>		
Current year receipts	2 000 000	52 087
Conditions met - transferred to revenue		-52 087
No funds have been withheld	2 000 000	-
<b>uMungungdlovu District Council</b>		
Current year receipts Corridor Development Mandela Capture Site	912 050	4 000 000
Conditions met - transferred to revenue	-912 050	-4 000 000
Current year receipts Winston/ Prospect Road Link	11 548	2 600 000
Conditions met - transferred to revenue	-11 548	-2 600 000
No funds have been withheld	-	-

## uMNGENI MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

FOR THE YEAR ENDED 30 JUNE 2010								2010 R	2009 R
<b>26. BULK PURCHASES</b>									
Electricity								29 225 162	21 550 092
<b>27. CASH</b>									
Petty Cash								3 000	3 000
Floats/cash on hand								1 760	1 760
								4 760	4 760
<b>28. CAPITAL COMMITMENTS</b>									
Commitments for capital expenditure									
Approved and contracted for								30 628 130	25 581 759
Approved but not yet contracted for								26 837 000	44 150 000
								57 465 130	69 731 759
This expenditure will be financed from:									
Internal sources								4 972 410	10 100 000
External sources								3 083 501	2 671 803
National and Provincial government and District Municipality								49 409 219	51 569 276
Development Bank of SA								-	5 390 680
								57 465 130	69 731 759
<b>29. EMPLOYEE RELATED COSTS</b>									
<b>Remuneration of the Municipal manager</b>									
Annual remuneration								1 038 243	1 055 450
Performance bonus								-	-
Leave payout								458 078	-
								1 496 321	1 055 450
<b>Remuneration of the Chief financial officer</b>									
Annual remuneration								835 016	808 559
Performance bonus								-	-
								835 016	808 559
<b>Remuneration of the Executive Directors</b>									
	Internal audit	Operations	Economic development	Technical services	Corporate services	Community services	Planning & development		
<b>2010</b>									
Annual remuneration	817 685	787 616	817 336	840 351	967 941	840 351	808 559		
Performance bonus	-	-	-	-	-	-	-		
	817 685	787 616	817 336	840 351	967 941	840 351	836 015		
<b>2009</b>									
Annual remuneration	774 116	745 988	774 117	822 386	808 559	822 386	808 559		
Performance bonus	-	-	-	-	-	-	-		
	774 116	745 988	774 117	822 386	808 559	822 386	808 559		

## uMNGENI MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2010

## EMPLOYEE RELATED COSTS

	2010 R	2009 R
Salaries and allowances	47 289 173	43 478 676
Contributions to UIF, pensions and medical aids	8 342 889	7 705 949
Travel, motor car, accommodation, subsistence and other allowances	804 004	842 602
Housing benefits and allowances	235 959	337 582
MOH allowance	-	-
Overtime payments	4 612 980	3 728 436
Annual bonus	3 756 018	3 496 814
Performance bonus	-	-
Standby	49 789	46 648
Cellular phone	18 500	2 750
Library student fees	-	-
Fees paid to labour brokers	-	-
Recovered from District Municipality		-1 691 618
	<b>65 109 312</b>	<b>57 947 839</b>

There were no advances to employees

## 30. FINANCIAL AND OPERATING LEASE PAYMENTS

## Financial lease payments

Council has concluded financial lease agreements with its suppliers which are required to be paid in installments as follows:

In the year ending 30 June 2011	1 170 544	489 666
In the years ending 30 June 2012	830 254	388 893
In the year ending 30 June 2013 and upwards	1 074 941	-

Interest is payable at rates varying between 12% and 10.5 %

<b>3 075 739</b>	<b>878 559</b>
------------------	----------------

## Operating lease payments

Council has concluded operating lease agreements with its suppliers which are required to be paid in installments as follows:

In the year ending 30 June 2011	736 884	-
In the years ending 30 June 2012	810 573	7 827 548
In the year ending 30 June 2013 and upwards	891 629	6 753 056

<b>2 439 086</b>	<b>14 580 604</b>
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## 31. POST RETIREMENT MEDICAL BENEFITS

The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees. Post-retirement medical aid benefits are offered to all employees by subsidising a portion of the medical aid contribution after retirement.

The most recent actuarial valuation was performed on 30 June 2009 by ARCH Actuarial Consulting using the Projected Unit Credit Method.

The full liability has been recognised.

The main assumptions used by the actuary are:

Discount rate per annum	9.05%	8.86%
Health care cost inflation rate	7.08%	7.71%
Net effective discount rate	1.85%	1.07%
Post - Retirement subsidy		
Retirement age		
Males	63	63
Females	63	63
Mortality during employment	SA 85-90 Ultimate Table adjusted for Female lives	
Mortality post retirement	PA90-1 Ultimate Table rated down one year.	
Number of eligible members	165	172
Number of pensioners	21	22

## Accrued liability at 30 June 2009

Future - service cost	511 654	538 016
Interest cost	1 022 777	1 078 939
Expected benefits payments	-454 764	-455 794
Actuarial loss/(gain)	-	-

Total annual expense

<b>1 079 667</b>	<b>1 161 161</b>
------------------	------------------

## Projected accrued liability at 30 June 2010

Accrued liability at 30 June 2009	11 519 971	12 404 991
Short term portion of accrued liability	-454 764	-1 161 161
Long term portion of accrued liability	<b>11 065 207</b>	<b>11 243 830</b>

The effect on the liability of a 1% change in the assumed rate of medical inflation:

	Liability (R millions)	Liability (R millions)
Central assumptions	11.520	12.405
1% increase in assumed medical inflation	13.372	14.410
1% decrease in assumed medical inflation	10.013	10.785

## uMNGENI MUNICIPALITY

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<b>32. LONG SERVICE AWARDS AND RETIREMENT GIFTS</b>		
The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.		
The most recent actuarial valuation was performed on 30 June 2010 by ARCH Actuarial Consulting using the Projected Unit Credit Method. The full liability has been recognised. The main assumptions used by the actuary are:		
Discount rate per annum	8.89%	8.93%
General salary inflation rate (long term)	6.20%	6.62%
Net effective discount rate	2.53%	2.17%
Retirement age		
Males	63	63
Females	63	63
Mortality during employment	SA 85-90 Ultimate Table adjusted for Female lives	
Number of eligible employees	302	320
<b>Accrued liability at 30 June 2009</b>	<b>2 320 709</b>	<b>2 579 907</b>
Future - service cost	305 874	272 122
Interest cost	194 923	219 593
Expected benefits payments	-259 791	-243 979
Actuarial loss/(gain)	-	-506 935
Total annual expense	<b>241 006</b>	<b>247 736</b>
<b>Projected accrued liability at 30 June 2010</b>	<b>2 561 715</b>	<b>2 827 643</b>
Accrued liability at 30 June 2009	2 320 709	2 579 907
Short term portion of accrued liability	-259 791	-247 736
Long term portion of accrued liability	<b>2 060 918</b>	<b>2 332 171</b>
The effect on the liability of a 1% change in the assumed rate of salary inflation:	Liability (R millions)	Liability (R millions)
Central assumptions	2.321	2.580
1% increase in assumed salary inflation	2.472	2.769
1% decrease in assumed salary inflation	2.183	2.410
<b>33. REFUSE SITES REHABILITATION</b>		
Long term portion	6 550 160	5 827 500
Short term portion	-	-
	<b>6 550 160</b>	<b>5 827 500</b>
Provision has been made for the estimated costs of rehabilitating the council's refuse sites. The estimated costs have been determined by the Council's consulting engineers. The short term portion has been added to the long term portion as it is envisaged that the rehabilitation of the landfill site will not take place during the course of the next financial year but at future date to be determined		

## 34 OWING BY COUNCILLORS

	Current - 60 Days	Over 90 Days	Total outstanding
<b>No Councillors were in arrear as at 30 June 2010</b>	-	-	-

## 35 IRREGULAR EXPENDITURE/FRUITLESS AND WASTEFUL EXPENDITURE

The acquisition of new Mayoral vehicles during the course of the year under review is deemed as irregular expenditure as no economic benefits were derived from the acquisition thereof. The Municipality made payment for the existing vehicle as well as the new vehicles, one of which was returned during the course of the 2009-2010 financial year. Investigations are under way to establish the full facts relating to this issue and to establish who is responsible for the authorization of irregular expenditure. Once all the facts are established Council will have to take measures to recover the amounts relating to this case from those responsible. A the compilation of the annual financial statements the estimated amount regarded as irregular and wasteful expenditure is R 266 826



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## PROPERTY, PLANT AND EQUIPMENT AND NOTE TO INVESTMENT PROPERTY

## PROPERTY, PLANT AND EQUIPMENT

	Properties	Infrastructure other	Vehicles	Roads/ Stormwater	Electrical	Toolbox	Total
Reconciliation of carrying value							
Carrying values at 01 July 2009	41 983 367	25 746 120	2 563 403	80 874 760	36 185 241	2 272 148	189 625 039
Cost restated	44 087 924	29 137 789	9 328 086	92 708 292	41 784 103	8 892 578	225 938 772
Cost	44 087 924	29 137 789	9 328 086	92 708 292	41 784 103	8 892 578	225 938 772
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-2 104 557	-3 391 669	-6 764 683	-11 833 532	-5 598 862	-6 620 430	-36 313 733
Cost	-1 600 012	-3 391 669	-6 764 683	-11 833 532	-5 598 862	-6 620 430	-35 809 188
Revaluation	-504 545	-	-	-	-	-	-504 545
Adjustment for landfill site	-	-	-	-	-	-	-
Acquisitions		1 442 625	3 125 184	8 871 078	2 617 614	560 381	16 616 882
Work in progress	2 244 326	1 992 966		8 104 637	2 271 381		14 613 310
Depreciation	-467 770	-1 024 469	-1 407 836	-3 256 444	-1 313 688	-658 796	-8 129 003
Based on cost	-467 770	-1 024 469	-1 407 836	-3 256 444	-1 313 688	-658 796	-8 129 003
Based on revaluation	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-633 669	-	-	-600	-634 269
Cost	-	-	-2 864 526	-	-	-141 195	-3 005 721
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-	-	2 230 857	-	-	140 595	2 371 452
Impairment losses							
Carrying values at 30 June 2010	43 759 923	28 157 242	3 647 082	94 594 031	39 760 548	2 173 133	212 091 959
Cost	46 332 250	32 573 380	9 588 744	109 684 007	46 673 098	9 311 764	254 163 243
Cost	46 332 250	32 573 380	9 588 744	109 684 007	46 673 098	9 311 764	254 163 243
Revaluation	-	-	-	-	-	-	-
Transfer to Investment Property	-	-	-	-	-	-	-
Accumulated depreciation	-2 572 327	-4 416 138	-5 941 662	-15 089 976	-6 912 550	-7 138 631	-42 071 284
Cost	-2 572 327	-4 416 138	-5 941 662	-15 089 976	-6 912 550	-7 138 631	-42 071 284
Revaluation	-	-	-	-	-	-	-
Carrying values at 30 June 2010	43 759 923	28 157 242	3 647 082	94 594 031	39 760 548	2 173 133	212 091 959

	Investment Property Total
<b>Reconciliation of carrying value</b>	
Carrying values at 01 July 2009	1 609 028
Cost restated	1 750 000
Cost	1 750 000
Revaluation	-
Accumulated depreciation	-140 972
Cost	-140 972
Revaluation	-
Acquisitions	-
Work in progress	-
Depreciation	-58 333
Based on cost	-58 333
Based on revaluation	-
Carrying value of disposals	-
Cost	-
Revaluation	-
Impairment losses	-
<b>Carrying values at 30 June 2010</b>	<b>1 550 695</b>
<b>Cost</b>	<b>1 750 000</b>
Cost	1 750 000
Revaluation	-
<b>Accumulated depreciation</b>	<b>-199 305</b>
Cost	-199 305
Revaluation	-
<b>Carrying values at 30 June 2010</b>	<b>1 550 695</b>

**Description of the investment property: 1 Mimosa Drive Hilton, Erf 1092 Hilton extension 10**

Details of property:

Purchase price: R 1 750 000

Date of purchase: 28 February 2007

Additions since purchase: None

Capitalised expenditure: None

Expected rental income from investment property is estimated to be in the region of R 78000 - R 90000 per annum

The Municipality has awarded a tender the compilation of a new valuation roll in terms of the Local Government Property Rates Act no 6 of 2004.

As a result no exercise to establish fair value or impairment testing was conducted. The result of the new valuation roll will be used to determine these factors in the 2010-2011 financial year.

APPENDIX A

uMNGENI MUNICIPALITY

EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2010

EXTERNAL LOANS	Loan Number	Interest rate	Redeemable	Balance at 2009/06/30	Received during the Period	Redeemed written off during the period	Adjustments to balances from prior year	Balance 2010/06/30	Carrying Value of Property Plant & Equipment	Other Costs in Accordance with the MFMA
<b>Annuity Loans</b>										
Development Bank of SA Ltd	KN13855	12.620%	31/03/2024	9 261 631		-230 945	54 891	9 085 577		
Development Bank of SA Ltd	102419	10.095%	31/03/2027	16 106 069		-343 870	75 329	15 837 528		
Development Bank of SA Ltd	102466	5.00%	31/03/2022	3 276 329		-186 892	45 784	3 135 220		
ABSA Bank Ltd	3022002978	9.20%	30/06/2022	17 333 333		-1 333 333	6 984	16 006 984		
				-				-		
<b>Total Annuity Loans</b>				<b>45 977 362</b>	<b>-</b>	<b>-2 095 040</b>	<b>182 988</b>	<b>44 065 310</b>		
<b>Finance Management Agreements</b>										
ABSA Bank Ltd				1 786 411	3 125 184	-1 880 624		3 030 971		
								-		
<b>Total</b>				<b>1 786 411</b>	<b>3 125 184</b>	<b>-1 880 624</b>		<b>3 030 971</b>		
<b>TOTAL EXTERNAL LOANS</b>				<b>47 763 773</b>	<b>3 125 184</b>	<b>-3 975 663</b>		<b>47 096 282</b>		

APPENDIX B

uMNGENI MUNICIPALITY

\* AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2010

Cost / Revaluation							Accumulated Depreciation									
	Balance 2009/06/30	Adjustments	Restated 2009/06/30	Additions	Work in progress	Disposals	Closing Balance	Balance 2009/06/30	Adjustments	Restated 2009/06/30	Additions	Disposals	Closing Balance	Carrying Value 2010/06/30	Carrying Value 2009/06/30	
Properties	45 837 924		45 837 924		2 244 326		48 082 250	1 740 983		1 740 983	1 030 648		2 771 631	45 310 619	44 096 941	
Infrastructure	29 137 789		29 137 789	1 442 625	1 992 966		32 573 380	3 391 669		3 391 669	1 024 469		4 416 138	28 157 242	25 746 120	
Vehicles	9 328 085		9 328 085	3 125 184		-2 864 526	9 588 743	6 764 683		6 764 683	1 407 836	-2 230 855	5 941 664	3 647 079	2 563 402	
Roads/stormwater	92 708 293		92 708 293	8 871 078	8 104 637		109 684 008	11 833 532		11 833 532	3 256 444		15 089 976	94 594 032	80 874 761	
Electrical	41 784 104		41 784 104	2 617 614	2 271 381		46 673 099	5 598 862		5 598 862	1 313 688		6 912 550	39 760 549	36 185 242	
Sewer	-		-				-	-		-			-	-	-	
Water	-		-				-	-		-			-	-	-	
Toolbox	8 892 578		8 892 578	560 381		-141 195	9 311 764	6 620 430		6 620 430	658 796	-140 595	7 138 631	2 173 133	2 272 148	
	-		-				-	-		-			-	-	-	
	227 688 773	-	227 688 773	16 616 882	14 613 310	-3 005 721	255 913 244	35 950 159	-	35 950 159	8 691 881	-2 371 450	42 270 590	213 642 654	191 738 614	

APPENDIX C

uMNGENI MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

THE YEAR ENDED 30 JUNE 2010

Cost / Revaluation							Accumulated Depreciation						Additions	Disposals	Balance 2010/06/30	Carrying Value 30/06/2010	Carrying Value 30/06/2009
	Balance 2009/06/30	Adjustments	Restated 2009/06/30	Additions	Work in progress	Disposals	Balance 2010/06/30	Balance 2009/06/30	Adjustments	Restated 2009/06/30							
Council General	23 597 883		23 597 883	1 136 026		-593 999	24 139 910	1 862 583		1 862 583	633 511	-108 900	2 387 194	21 752 716	21 735 301		
Municipal Manager	7 203 632		7 203 632	1 891 204		-	9 094 836	1 191 502		1 191 502	221 995	-	1 413 497	7 681 339	6 012 130		
Town Planning	411 054		411 054	246 460		-94 423	563 091	447 846		447 846	65 360	-94 423	418 783	144 308	-36 792		
Housing Administration	448 129		448 129	2 933		-	451 062	52 276		52 276	10 256	-	62 532	388 530	395 853		
Museum	559 105		559 105	2 335		-2 345	559 095	54 521		54 521	5 338	-2 345	57 514	501 581	504 584		
Libraries	4 800 153		4 800 153	35 049		-15 865	4 819 337	1 057 772		1 057 772	101 435	-15 822	1 143 385	3 675 952	3 742 382		
Town Hall	5 153 509		5 153 509	-		-39	5 153 470	321 107		321 107	74 460	-39	395 528	4 757 942	4 832 402		
Man Serv & Training	512 030		512 030	20 226		-	532 256	51 790		51 790	20 073	-	71 863	460 393	460 240		
Refuse Removal / Health	5 613 002		5 613 002	208 159	2 244 326	-600	8 064 887	1 698 769		1 698 769	824 991	-600	2 523 160	5 541 727	3 914 233		
Swimming Pool	585 677		585 677	-		-	585 677	64 404		64 404	13 622	-	78 026	507 651	521 273		
Clinic	972 063		972 063	3 328		-3 649	971 742	209 853		209 853	22 094	-3 649	228 298	743 444	762 210		
Parks & Gardens	16 727 535		16 727 535	939 472		-129 063	17 537 943	3 004 832		3 004 832	830 573	-129 063	3 706 342	13 831 602	13 722 703		
Protection Services/Fire	2 567 422		2 567 422	761 212		-186 108	3 142 527	1 686 417		1 686 417	327 117	-185 735	1 827 799	1 314 728	881 005		
Cemeteries	435 057		435 057	-		-	435 057	30 275		30 275	3 784	-	34 059	400 998	404 782		
Public Works	97 019 731		97 019 731	8 435 210	10 097 603	-255 878	115 296 666	14 118 992		14 118 992	3 599 269	-255 878	17 462 383	97 834 283	82 900 739		
Town Treasurer	2 075 879		2 075 879	57 615		-82 269	2 051 225	1 790 139		1 790 139	89 924	-82 130	1 797 933	253 292	285 740		
Stores	216 945		216 945	-		-22 615	194 330	147 453		147 453	9 786	-22 615	134 624	59 706	69 492		
Electricity	41 975 599		41 975 599	2 617 615	2 271 381	-340	46 864 254	5 747 360		5 747 360	1 328 741		7 076 101	39 788 153	36 228 239		
Corporate Services	12 524 847		12 524 847	7 555		-62 042	12 470 361	723 747		723 747	216 577	-35 011	905 313	11 565 048	11 801 100		
Technical Services	2 183 831		2 183 831	50 779		-1 553 587	681 023	607 875		607 875	89 528	-1 432 341	-734 938	1 415 961	1 575 956		
Community Services	171 437		171 437	-		-2 899	168 538	88 036		88 036	15 472	-2 899	100 609	67 929	83 401		
Water	-		-	-		-	-	-		-	-	-	-	-	-		
Sewer	-		-	-		-	-	-		-	-	-	-	-	-		
Workshops	1 934 251		1 934 251	201 705		-	2 135 956	992 610		992 610	187 974	-	1 180 584	955 372	941 641		
	227 688 771	-	227 688 771	16 616 883	14 613 310	-3 005 721	255 913 242	35 950 159	-	35 950 159	8 691 880	-2 371 451	42 270 588	213 642 654	191 738 614		

**APPENDIX D**

**uMNGENI MUNICIPALITY**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE YEAR ENDED 30 JUNE 2010**

	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>	<b>2009</b>
	<b>Income</b>	<b>Actual</b>	<b>Surplus/</b>	<b>Actual</b>	<b>Actual</b>	<b>Surplus/</b>
	<b>R</b>	<b>Expenditure</b>	<b>(Deficit)</b>	<b>Income</b>	<b>Expenditure</b>	<b>(Deficit)</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Executive and Council	-84 941 324	27 159 498	57 781 826	-92 231 760	23 712 036	68 519 724
Finance and Administration	-29 129 490	18 822 172	10 307 318	-15 024 251	17 743 279	-2 719 027
Planning and Development	-916 541	5 207 875	-4 291 334	-103 867	4 168 224	-4 064 356
Health	-2 523 824	2 726 001	-202 177	-2 962 334	4 048 138	-1 085 804
Community and Social Services	-257 940	5 556 075	-5 298 135	-236 594	4 674 633	-4 438 039
Housing	-1 054 271	1 054 271	-	-941 493	941 493	-
Public Safety	-2 999 594	6 378 390	-3 378 796	-3 041 464	6 199 123	-3 157 659
Sports and Recreation	-2 623	9 268 528	-9 265 905	-4 814	7 790 541	-7 785 727
Waste Management	-13 286 899	13 529 055	-242 156	-10 914 545	15 148 597	-4 234 052
Road Transport	-	-	-	-	-	-
Electricity	-40 890 741	40 890 741	-	-34 218 830	34 218 830	-
Other	-3 196 409	35 619 130	-32 422 721	434 925	31 433 435	-31 868 360
<b>Sub Total</b>	<b>-179 199 656</b>	<b>166 211 736</b>	<b>12 987 920</b>	<b>-159 245 027</b>	<b>150 078 328</b>	<b>9 166 699</b>
<b>Less: Inter-Departmental Charges</b>	<b>-13 145 748</b>	<b>13 145 748</b>	<b>-</b>	<b>-11 772 390</b>	<b>11 772 390</b>	<b>-</b>
<b>Total</b>	<b>-192 345 404</b>	<b>179 357 484</b>	<b>12 987 920</b>	<b>-171 017 417</b>	<b>161 850 718</b>	<b>9 166 699</b>

**APPENDIX E (1)**

**uMNGENI MUNICIPALITY**

**ACTUAL COMPARED WITH BUDGETED REVENUE AND EXPENDITURE**

**FOR THE YEAR ENDED 30 JUNE 2010**

	Actual 2010	Budget 2010	Variance 2010	Variance 2010	Explanation of significant Variance greater than 10% versus Budget
	R	R	R	%	
<b>REVENUE</b>					
Property rates	-65 227 545	-81 038 297	15 810 752	-19.51%	Valuations are being correctly stated on certain categories of properties
Property rates- penalties imposed and collection charges	-2 579 935	-10 000 000	7 420 065	-74.20%	Reversal of penalties due to Agricultural rebates being finalized
Service charges	-39 071 106	-42 774 615	3 703 509	-8.66%	Electricity losses need to be investigated, the process is underway
Rental of facilities and equipment	-413 500	-524 300	110 800	-21.13%	Decrease in Hall bookings
Interest earned- external investments	-256 671	-200 000	-56 671	28.34%	Investments are increasing due to improved cash management
Interest earned- outstanding debtors	-1 561 507	-5 200 000	3 638 493	-69.97%	Less penalties were charged due to better credit control measures
Fines	-374 750	-1 080 000	705 250	-65.30%	The delay in processing summons at courts has resulted in lower income
Licences and permits	-2 696 593	-1 889 400	-807 193	42.72%	Increased Learners License applications were processed
Government grants and subsidies	-50 013 484	-63 370 000	13 356 516	-21.08%	Not all grants gazetted were received during the year
Other income	-16 640 153	-5 502 570	-11 137 583	202.41%	Increase in other income streams
Inter- departmental charges	-13 145 748	-13 145 748	-	0.00%	
Public contributions, donated/contributed PPE	-	-	-		
Gains on disposal of property, plant and equipment	-364 412	-	-364 412		
<b>Total Revenue</b>	<b>-192 345 404</b>	<b>-224 724 930</b>	<b>32 379 526</b>	<b>-14.41%</b>	
<b>EXPENDITURE</b>					
Executive & Council	27 159 498	23 262 204	3 897 294	16.75%	Actual exceeds budget due to compulsory items
Finance & Admin	18 822 172	21 651 622	-2 829 450	-13.07%	Savings achieved on expenditure items due to improved control
Planning & Development	5 207 875	6 132 519	-924 644	-15.08%	Savings achieved on expenditure items due to improved control
Health	2 726 001	2 874 966	-148 965	-5.18%	
Community & Social Services	5 556 075	5 238 573	317 502	6.06%	
Housing	1 054 271	1 132 550	-78 279	-6.91%	
Public Safety	6 378 390	7 330 229	-951 839	-12.99%	Savings achieved on expenditure items due to improved control
Sport & Recreation	9 268 528	9 503 130	-234 602	-2.47%	Savings achieved on expenditure items due to improved control
Waste Management	13 529 055	14 704 924	-1 175 869	-8.00%	
Road Transport	-	-	-		
Electricity	40 890 741	49 931 080	-9 040 339	-18.11%	Savings achieved on expenditure items due to improved control
Other	35 619 130	68 904 875	-33 285 745	-48.31%	Savings achieved on expenditure items due to improved control
Inter- departmental charges	13 145 748	13 145 748	-	0.00%	
<b>Total Expenditure</b>	<b>179 357 484</b>	<b>223 812 420</b>	<b>-44 454 936</b>	<b>-19.86%</b>	
<b>NET (SURPLUS)/ DEFICIT FOR THE YEAR</b>	<b>-12 987 920</b>	<b>-912 510</b>	<b>-12 075 410</b>	<b>1323.32%</b>	

APPENDIX E (2)

uMNGENI MUNICIPALITY

DEPARTMENT OF ACQUISITION OF PROPERTY PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual	2010 Under Construction	2010 Total Additions	2010 Budget	2010 Variance	2010 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Council General	-	-	-	-	-	0.00%	
Municipal Manager	1 156 292		1 156 292	2 929 775	1 773 483	60.53%	Work was still in progress at year end
Town Planning	246 460		246 460	20 000	-226 460	-1132.30%	Vehicle on finance lease acquired
Housing Administration	2 933		2 933		-2 933	#DIV/0!	Equipment was urgently required to continue service delivery
Museum	2 335		2 335	7 000	4 665	66.64%	Savings achieved on expenditure items due to improved control
Libraries	35 049		35 049	17 500	-17 549	-100.28%	Equipment acquired due to surge in electricity
Town Hall	-	-	-	40 000	-	0.00%	Savings achieved on expenditure items due to improved control
Refuse Removal/Landfill Site	208 159	2 244 326	2 452 485	3 500 000	1 047 515	29.93%	Work was still in progress at year end
Swimming Pool			-	-	-	0.00%	
Clinic	3 328		3 328	30 583	27 255	89.12%	Savings achieved on expenditure items due to improved control
Parks & Gardens	530 578		530 578	152 000	-378 578	-249.06%	Vehicle on finance lease acquired
Protection Services	761 212		761 212	175 000	-586 212	-334.98%	Vehicle on finance lease acquired
Cemeteries			-	-	-	#DIV/0!	
Public Works	408 894	18 968 682	19 377 576	18 811 000	-566 576	-3.01%	
Town Treasurer	57 615		57 615	40 000	-17 615	-44.04%	Equipment acquired due to surge in electricity
Electricity		4 888 996	4 888 996	12 589 000	7 700 004	61.16%	Work was still in progress at year end
Corporate Services	20 226		20 226	8 089 000	8 068 774	99.75%	
Technical Services	50 779		50 779	27 000	-23 779	-88.07%	Equipment acquired due to surge in electricity
Community Services			-	20 000	20 000	100.00%	Savings achieved on expenditure items due to improved control
Workshops	201 705		201 705		-201 705	#DIV/0!	Equipment acquired due to surge in electricity
Tourism	1 442 625		1 442 625	1 442 625	-	0.00%	
	5 128 190	26 102 004	31 230 194	47 890 483	16 620 289	34.70%	



APPENDIX E (3)

uMNGENI MUNICIPALITY

S STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2010

Description	Current Year 2009/10								
	Original Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of final Budget	Actual outcome as % of final budget
<b>R thousands</b>									
<b>Financial Performance</b>									
Property rates	101 038	101 038	-	101 038	67 807		(33 231)	67.11	67.11
Service charges	42 775	42 775	-	42 775	39 071		(3 704)	91.34	91.34
Investment revenue	200	200	-	200	257		57	128.34	128.34
Transfers recognised - operational	59 464	59 464	-	59 464	50 013		(9 451)	84.11	84.11
Other own revenue	16 936	20 842	-	20 842	35 196		14 355	168.87	207.82
	220 413	224 319	-	224 319	192 345	-	(31 974)		
<b>Total Revenue (excluding capital transfers and contributions)</b>								85.75	87.27
Employee costs	66 920	67 464	-	67 464	6 510		(60 953)	9.65	9.73
Remuneration of councillors	4 433	4 433	-	4 433	4 067		(366)	91.75	91.75
Depreciation & asset impairment	4 487	4 487	-	4 487	8 187		3 700	182.46	182.46
Finance charges	4 328	4 328	-	4 328	493		(3 835)	11.40	11.40
Materials and bulk purchases	30 012	30 012	-	30 012	29 225		(787)	97.38	97.38
Transfers and grants	-	-	-	-	-		-	-	-
Other expenditure	110 192	112 682	-	112 682	130 874		18 193	116.15	118.77
<b>Total Expenditure</b>	220 373	223 406	-	223 406	179 358	-	(44 048)	80.28	81.39
<b>Surplus/(Deficit)</b>	40	913	-	913	12 987	-	12 075	1423.24	32377.41
Transfers recognised - capital	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	40	913	-	913	12 987	-	12 075	1423.24	32377.41
Share of surplus/ (deficit) of associate	-	0	0	0	0	0	0	0	0
<b>Surplus/(Deficit) for the year</b>	40	913	-	913	12 987	-	12 075	1423.24	32377.41
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	44 150	47 150	-	47 150	31 230	-	(15 920)	66.23583033	70.74
Transfers recognised - capital	34 050	37 050	-	37 050	27 753	-	(9 297)	74.90740621	81.51
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	10 100	10 100	-	10 100	3 477	-	(6 623)	34.42833663	34.43
<b>Total sources of capital funds</b>	44	47	-	47	31	-	(16)	66.236386	70.74
<b>Cash flows</b>									
Net cash from (used) operating	(27 691)	(24 456)	-	35 458	35 458	-	-	100.00	-128.05
Net cash from (used) investing	(44 150)	(47 150)	-	(30 232)	(30 232)	-	-	100.00	68.47
Net cash from (used) financing	1 763	431	-	(1 272)	(1 272)	-	-	100.00	-72.16
Cash/cash equivalents at the year end	(65 079)	(66 175)	-	3 954	3 954	-	-	100.00	-6.08

**APPENDIX E (4)**

**uMNGENI MUNICIPALITY**

**FOR THE YEAR ENDED 30 JUNE 2010**

**MAJOR ITEMS INCLUDED IN OTHER INCOME IN STATEMENT OF FINANCIAL PERFORMANCE**

Shared Service Model	592 281
Sundry Income	505 981
Allocation of year end deficit electricity accumulated surplus	5 039 174
Income from disposal of assets	998 682
Connection Income	559 649
Burial Fees	88 966
Building Plan Fees	1 266 198
Reconnection Fee	445 236
Miscellaneous Income	630 856
Contribution from accumulated surplus to fund assets -MIG counter funding	3 477 262
<b>TOTAL</b>	<b>13 604 285</b>

**MAJOR ITEMS INCLUDED IN GENERAL EXPENSES IN STATEMENT OF FINANCIAL PERFORMANCE**

Electricity connections	2 107 288
SPCA expenses	677 906
SALGBC subscriptions	244 865
Tracker subscriptions	222 315
Workman's compensation	291 841
Valuation expenses	221 692
Uniforms	200 765
Telecommunications	1 346 117
Skills development levy	571 787
Subsistence and traveling	873 403
Refuse bags	391 135
Rental leased properties	271 298
Professional fees	114 392
Printing and stationery	357 292
Postages	897 085
Patrols & security	3 929 142
Medical aid retired staff	392 543
materials and small tools	252 206
licensing of vehicles	102 463
legal fees	1 543 421
Free basic services	7 402 181
Electricity	1 805 922
Debt collection fee	2 092 987
Consultant fess	4 244 833
Computer support and maintenance	632 769
Bank deposit services	177 375
Bank charges	456 962
Audit fee	1 157 065
Grant expenditure	2 508 081
<b>TOTAL</b>	<b>35 487 132</b>

## APPENDIX F

## UMNGENI MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003  
FOR THE YEAR ENDED 30 JUNE 2010

## Grants and Subsidies Received

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and delayed/w/	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework Revenue Act	Reason for non-compliance
		April to June 2009 1	July to Sept 2009 1	Oct to Dec 2009 2	Jan to Mar 2010 3	April to June 2010 4	April to June 2009 1	July to Sept 2009 1	Oct to Dec 2009 2	Jan to Mar 2010 3	April to June 2010 4				
<b>CAPITAL</b>															
MIG	Cooperative Governance & Traditional Affairs	1 250 000	8 400 000	-	-	4 544 000	3 862 921	2 949 386	2 881 411	2 031 140	538 062.78	NO	N/A	YES	N/A
DME	Department of Minerals & Energy	-	6 293 000	-	3 146 000	-	-	171 930	1 059 376	2 899 690	380 487	NO	N/A	YES	N/A
Neighbourhood Development	Cooperative Governance & Traditional Affairs	-	-	-	11 000 000	-	1 743 273	1 792 997	1 886 491	1 008 031	4 185 157	NO	N/A	YES	N/A
<b>OPERATING - STATE</b>															
Finance Management Grant	National Treasury	-	750 000	-	-	-	-	62 950	16 667	33 333	25 000	NO	N/A	YES	N/A
Municipal Systems Improvement	National Treasury	-	735 000	-	-	-	526 500	-	-	317 438	417 562	-	N/A	-	-
Equitable Share State	Co-operative Governance & Traditional Affairs	-	7 899 155	6 319 722	5 626 871	-	-	-	-	-	-	-	N/A	-	-
Councillors Allowances	Co-operative Governance & Traditional Affairs	-	433 749	347 021	245 935	-	-	-	-	-	-	-	N/A	YES	N/A
<b>CAPITAL PROVINCE</b>															
Library Mphophomeni- Head count System	Department Education & Culture	-	-	-	-	-	12 950	-	-	-	-	NO	N/A	YES	N/A
Corridor Development	Co-operative Governance & Traditional Affairs	-	-	4 000 000	3 000 000	-	-	-	819 853	994 679	468 675	NO	N/A	YES	N/A
Cedara College /Inkanya Village road		-	-	-	2 000 000	-	-	-	-	-	-	NO	N/A	YES	N/A
<b>OPERATING - PROVINCE</b>															
Synergistic Partnership	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-	76 876	-	23 876	6 804	NO	N/A	YES	N/A
N3 Corridor Management Plan	Co-operative Governance & Traditional Affairs	-	-	-	-	-	115 686	11 535	18 800	-	85 450	NO	N/A	YES	N/A
Library Mphophomeni Internet Access Public	Department Education & Culture	-	-	-	96 000	-	29 983	22 500	22 500	22 500	23 500	NO	N/A	YES	N/A
MAP Byelaws 2001/2	Co-operative Governance & Traditional Affairs	90 000	-	-	-	-	-	-	-	-	36 000	NO	N/A	YES	N/A
Capacity Development 2003/4	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-	-	-	-	192 717	NO	N/A	YES	N/A
Planning Develop Admin Capacity Build 2004/5	Co-operative Governance & Traditional Affairs	-	-	-	-	-	145 802	-	-	-	-	NO	N/A	YES	N/A
Technical Services GIS Capacity Build Prov 2006/7	Co-operative Governance & Traditional Affairs	-	-	-	-	-	4 214	4 800	-	343	17 180	NO	N/A	YES	N/A
Flanders Grant ( Dept of Housing)	Flanders (Department of Housing)	-	-	-	-	-	-	-	-	-	-	NO	N/A	YES	N/A
Finance - MFMA Grant Province 2005/6	Co-operative Governance & Traditional Affairs	-	-	-	-	-	794	-	-	-	-	NO	N/A	YES	N/A
E & C - Performance Manage System 2005/6 & 6/7	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-	-	-	24 600	17 328	NO	N/A	YES	N/A
Ex & Council - Inter Depart Monitoring 2005/6	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-	-	-	-	30 699	NO	N/A	YES	N/A
Ex & Council - Mun Info Systems Support ( GIS)	Co-operative Governance & Traditional Affairs	-	-	-	-	-	1 574	9 054	-	-	-	NO	N/A	YES	N/A
Good Govern Human Resources 2006/7	Co-operative Governance & Traditional Affairs	-	-	-	-	-	109 911	3 608	16 005	7 476	-	NO	N/A	YES	N/A
Public Participation 2006/7	Co-operative Governance & Traditional Affairs	-	-	-	-	-	9 711	3 900	4	-	-	NO	N/A	YES	N/A
Establish Internal Control Unit 2006/7	Co-operative Governance & Traditional Affairs	-	-	-	-	-	150 000	-	-	-	-	NO	N/A	YES	N/A
Finance Debt Management System 2006/7	European Union Gijima/Dept Economic Development	-	-	-	-	-	540 257	-	-	-	-	NO	N/A	YES	N/A
MSIG Capacity Building 2003/4	Co-operative Governance & Traditional Affairs	-	-	-	-	-	52 632	-	-	-	-	NO	N/A	YES	N/A
MAP Financial Management & Internal Control	Co-operative Governance & Traditional Affairs	-	-	-	-	-	-	-	-	-	100 000	NO	N/A	YES	N/A
Youth Advisory Centre ( Umsobomvu Youth Fund)	Co-operative Governance & Traditional Affairs	101 300	-	-	-	-	68 116	-	-	-	27 198	NO	N/A	YES	N/A
LUMS Spatial Planning	Co-operative Governance & Traditional Affairs	-	-	-	-	-	51 108	-	11 072	-	-	NO	N/A	YES	N/A
Clinic Subsidy Prov	Department of Health	1 087 950	-	-	735 762	1 765 304	-	-	-	-	-	NO	N/A	YES	N/A
Museums Subsidy Prov - PREMIERS Office	Department Education & Culture	-	-	68 000	-	-	-	-	-	-	-	NO	N/A	YES	N/A
Cleanest Town Award (Agric & Environ Affairs)	Department of Agriculture & Environmental Affairs	150 000	-	-	-	-	-	-	-	-	95 700	NO	N/A	YES	N/A
<b>HOUSING PROVINCE</b>															
Mphophomeni 3	Department of Housing	-	-	-	-26 350	-	-	-	-	-	-	NO	N/A	YES	N/A
Extension 33 & 34	Department of Housing	3 142 068	-	4 040	102 615	-	3 127 976	-	4 040	-	-	NO	N/A	YES	N/A
Siphumemelele (Jacobsdale)	Department of Housing	-	-	17 640	-	-	-	-	17 640	-	-	NO	N/A	YES	N/A
Lidgettton West	Department of Housing	-	-	-	-272 718	-	-	-	-	-	-	NO	N/A	YES	N/A
Zenzani	Department of Housing	5 865	1 917 716	76 734	-	659 552	5 865	1 917 716	76 734	-	659 552	NO	N/A	YES	N/A
Kwamevana	Department of Housing	-	-	-	-328 745	-	-	-	-	-	-	NO	N/A	YES	N/A
Cedara	Department of Housing	-	-	989 451	-	-	-	989 451	-	-	-	NO	N/A	YES	N/A
Hilton Society Development	Department of Housing	-	775 432	1 892 987	1 134 391	-	-	280 967	2 356 600	1 165 244	-	NO	N/A	YES	N/A
Nkamalala Inadi Rural	Department of Housing	-	-	-	-	597 232	-	-	-	-	597 232	NO	N/A	YES	N/A
Hilton Society Development No 2	Department of Housing	-	-	-	-	123 726	-	-	-	-	123 726	NO	N/A	YES	N/A
<b>OPERATING - OTHER</b>															
Midmar Master Plan 2003/4	Co-operative Governance & Traditional Affairs	-	-	-	-	-	11 398	-	-	-	-	NO	N/A	YES	N/A
Environmental Management Plan DBSA 03/4	Co-operative Governance & Traditional Affairs	-	-	-	-	-	9 539	-	-	-	-	NO	N/A	YES	N/A
Water Loss Grant	Development Bank of South Africa	18 951	-	-	-	-	99 645	-	-	-	-	NO	N/A	YES	N/A
Assets Grant	Development Bank of South Africa	75 155	-	-	-	-	171 036	-	-	-	30 354	NO	N/A	YES	N/A
Local Economic Development Board	European Union Gijima/Dept Economic Development	-	-	-	-	-	-	-	-	-	-	NO	N/A	YES	N/A
Howick Falls Project	European Union Gijima/Dept Economic Development	-	-	-	-	-	19 905	-	-	-	-	NO	N/A	YES	N/A
Agro Processing & Benefaction Project	European Union Gijima/Dept Economic Development	-	-	11 548	-	-	75 155	-	15 031	-	-	NO	N/A	YES	N/A
SMME Incubation	European Union Gijima/Dept Economic Development	-	-	-	-	-	7 500	-	-	-	-	NO	N/A	YES	N/A
Shared Services Development Planning	Umgungundlovu District Council	-	-	-	912 050	-	-	-	-	365 250	121 750	NO	N/A	YES	N/A
		5 921 289	27 204 053	13 727 143	27 371 811	7 689 813	10 953 450	7 308 219	10 191 674	8 893 600	8 180 132				
For the Year Ended 31 March 2010			27 204 052.70	40 931 195.28	68 303 006.32	75 992 820		7308219	17499893	26393493	34 573 625				
For the Year Ended 30 June 2010						75 992 820					34 573 625				